

# annual report 2009



Sandringham Community  
Financial Services Limited  
ABN 86 099 131 192

Sandringham **Community Bank®** Branch

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Centre spread feature - Community involvement

# Chairman's report

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For year ending 30 June 2009

Dear Shareholder,

The Board of Sandringham Financial Services Limited invite you to join us in celebrating our eighth Annual General Meeting to be held at Sandy Beach Centre on Thursday 26 November 2009.

## **Banking business to 30 June 2009**

Difficult conditions in the financial market, epitomised by a sharp decline in our margin income commencing December 2008, caused us to examine our budget at this time. We then implemented an active review process to ensure our bank remained profitable.

During the period December 2008 to March 2009 our revenue decreased slightly due to the sharp decline in our margin income despite a 20% increase in our banking business. By March 2009 margin income improved and stabilised for the remainder of the financial year.

The Board is therefore delighted to report that our results under difficult trading conditions were exceptional. We achieved a pre-tax profit of \$91,706 up from last year's profit of \$81,599 and our total banking business grew from \$ 75.6 million to \$98 million on 30 June 2009.

We achieved this in the difficult trading environment described above and still increased our sponsorship and grants program to the benefit of our local community.

We are delighted to recommend a dividend payment of six cents per share fully franked to be paid late December 2009.

## **Marketing, sponsorship and grants program**

This year we contributed \$75,000 into the Bendigo and Adelaide Bank Ltd Community Enterprise™ Foundation up from \$45,565 last year, an increase of \$34,435. This relationship with the Foundation enabled us to establish a strong grants program. As part of this grants program we supported Bailey House, the Bayside Climate Change Group and helped Sandringham House install a water tank. Sandringham Secondary College was able to continue to expand its computer program and maintenance through funding provided by our business.

In addition our marketing and sponsorship budget for the year of \$100,000 provided support for the arts, sport and local community projects. The beneficiaries of this funding were:

- the Youth Bayside Film festival,
- the En Plein Air art show run by the Lions Club of Sandringham, and
- Sandringham Hospital to purchase two new bassinets for their busy Maternity ward.

Several sporting clubs such as

- Sandringham Football Club,
- Sandringham Soccer Club, and
- Sandringham Croquet Club was again supported through our sponsorship.

# Chairman's report continued

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It is vitally important to us to strengthen our commitment to our local community as this is part of our Sandringham **Community Bank**® Branch Charter. I am delighted to report that we have achieved significant and meaningful contributions in this area in the past year.

## **Staff, Bendigo and Adelaide Bank Ltd and Board**

The outstanding results this year are testament to the dedication and commitment of our staff. Matthew Gallop has again highlighted his leadership skills and total commitment to the Board and his staff. Staff members, Vikki Baker, Jane Turner and Julie Dunn, are central to smooth and effective business operations and their performance this year has been commendable. Brooke Robinson joined us in September 2008 when Angela Meo left for family reasons.

Our gratitude must be extended to Bendigo and Adelaide Bank Ltd for their commitment to provide ongoing Director training thereby enabling the Board and management to be fully informed and vigilant. Their support is of great importance to us.

I extend to all Board members my appreciation for their professionalism, commitment and response to managing the business during the year and in particular during the global financial crisis.

It is with sadness that I report that Helen Worlidge resigned from the Board on 29 July 2009 after 10 years of dedicated service that commenced with the inaugural Steering Committee. Helen held the role of Deputy Chair and Chair of the Marketing Sub Committee. We will miss her tremendous zest for getting things done and her insightful understanding and awareness of community issues. We wish Helen the very best in her new endeavours.

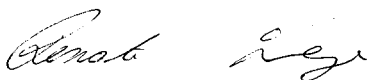
Fred Stringer has also resigned effective as at the date of the Annual General Meeting and it is with regret we accept his resignation. I wish to thank Fred for his loyalty and service as a Board member and wish him well.

Graham Ludecke was invited to join the Board in August. Graham served on the Advisory Board for several years and is a member of our Audit Committee. His sound knowledge, not only in banking but in our local community, will be a great asset to our Board and I extend to him a warm welcome.

## **Shareholders**

The involvement within our local community has been made possible through you, our shareholders, who had the courage and faith to provide share capital to establish our Sandringham **Community Bank**® Branch. Loyalty and commitment to our customers and shareholders is of upmost importance to us and together we look forward to another successful trading year.

Yours faithfully,



**Renate Lange**  
**Chairperson**

# Manager's report

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For year ending 30 June 2009

The year ending 30 June 2009 was another excellent year with total balances growing by 29% from \$75.6 million to \$98.0 million against a budget of 13%. The total number of accounts has increased by 8% to 3,458 and we are seeing existing clients continue to increase the amount of their banking that they conduct with us.

While encountering a sharp decline in our income margin during the year, due to the Global Financial Crisis, we were very pleased to see that clients who had withdrawn funds from the share market and similar investments have sought refuge in our deposit accounts and we enjoyed excellent growth in this area. We also attracted many new clients during this period and have worked hard to ensure they understand our **Community Bank®** model and to ensure their ongoing support during the current difficult economic conditions. To date we have proven to be successful in this regard.

The profile of the business continues to grow in Sandringham with continued financial support to local clubs and organisations through our sponsorship and grants programs. We have included an overview of this support in the middle pages of this report. As the bank continues to grow, our sponsorships and grants will also increase.

I wish to acknowledge and thank my staff Vikki Baker, Jane Turner, Brooke Robinson and Julie Dunn. Their willingness to listen and grow with our clients and our business has been a major reason for our success.

As an individual I have been very fortunate to have incredible support and guidance from the Board. Unfortunately they are often the forgotten parties and their enormous voluntary hours are an integral part of our success.

I wish to also acknowledge my appreciation of our support staff at Bendigo and Adelaide Bank Ltd who continue to provide strong support to our business.

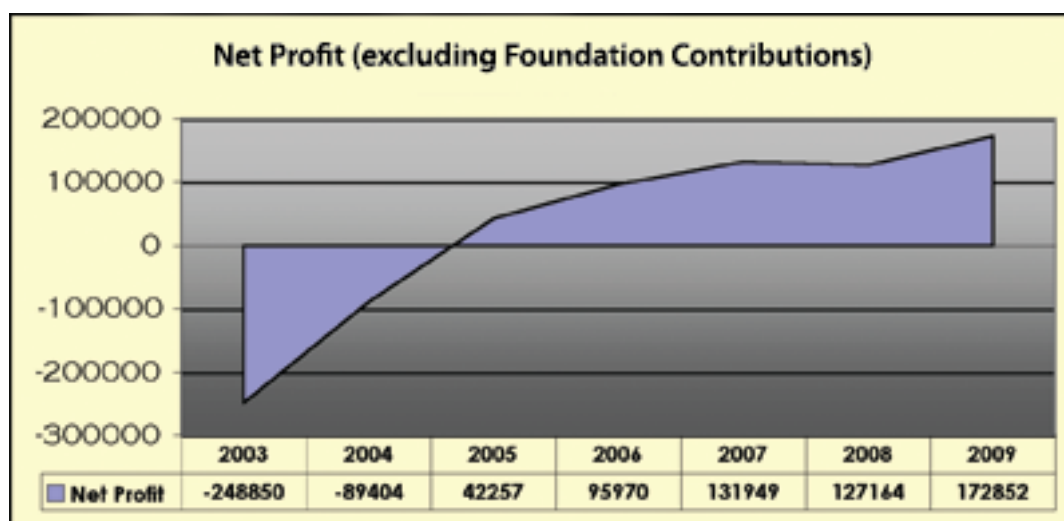
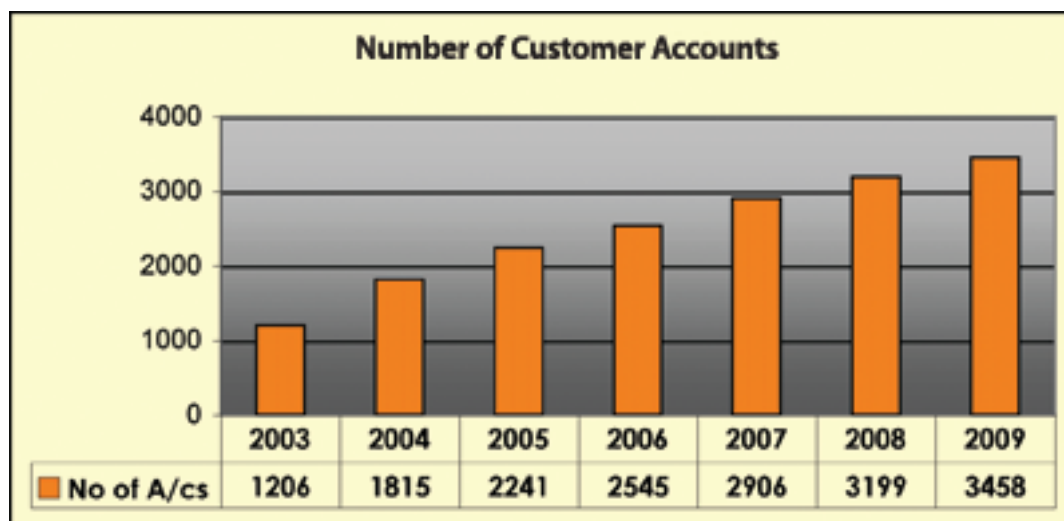
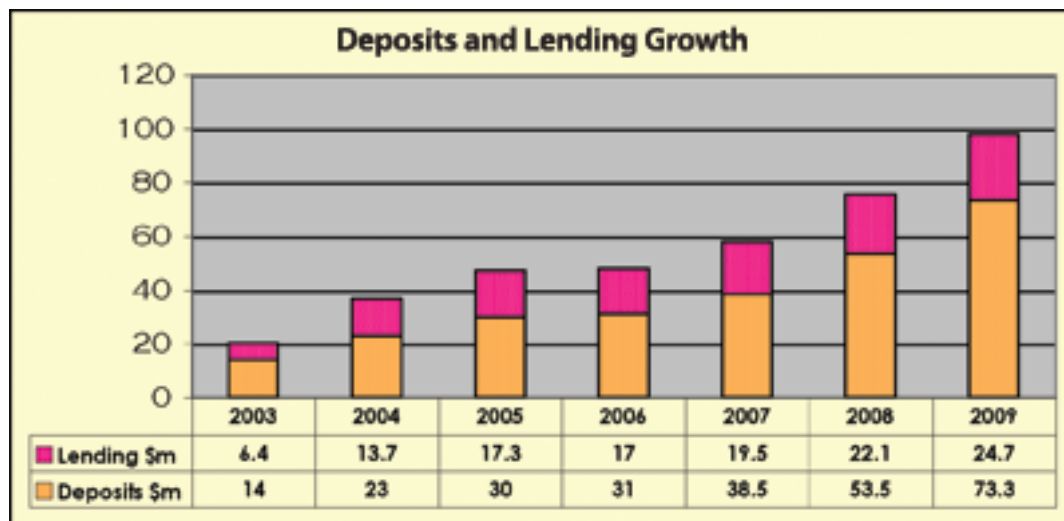
The continued growth of the Sandringham **Community Bank®** Branch will of course be reliant upon the support and relevance to our local community.

While difficult conditions remain with us in the financial sector we are very confident of our ability to continue the strong results achieved this year.



**Matthew Gallop**  
**Branch Manager**

# Performance graphs



# Bendigo and Adelaide Bank Ltd report

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For year ending 30 June 2009

2008/09 will go down as one of the most tumultuous financial years in history. The global financial crisis and its aftermath wiped trillions of dollars off the world's net wealth. Some of the biggest names in international banking disappeared; many other banks – vastly bigger than Bendigo and Adelaide Bank Ltd – turned to governments to bail them out. Not surprisingly, confidence sagged, reflected in rising unemployment and stock markets falling by around half their former valuations.

In short, we have seen the biggest financial meltdown since the Great Depression of nearly 80 years ago.

Amidst all that turmoil, though, our grassroots banking movement marched steadily on. Twenty new **Community Bank®** branches joined Bendigo and Adelaide Bank Ltd's national network. Around 120,000 new customers switched to the Bendigo style of banking. And 70 more communities continued their local campaign to open a **Community Bank®** branch.

Those statistics are impressive in themselves, but it is the story behind them that is really important.

That's the story of ordinary people – an awful phrase, but you know what I mean – who inherently understand that the role of a bank is to feed into prosperity, rather than profit from it. That lesson was forgotten by many bankers across the globe, with devastating consequences. But it is now well understood by the residents of 237 towns and suburbs that own their own **Community Bank®** branch, because every day they see the fruits of their investment in locally owned banking.

Again, the statistics are impressive enough – \$29 million paid out in community projects and nearly \$11 million in local shareholder dividends. But again, the real stories lie behind the numbers – new community centres and fire trucks, more local nurses, new walking tracks and swimming pools, safer young drivers, more trees and fewer wasteful incandescent globes, innovative water-saving projects... the list goes on.

And of course more money retained and spent locally. And more jobs. Fifteen hundred or so just in the branches alone. More because of the flow-on, or multiplier, effect of those wages being spent locally. And yet more because of the extra shopping now done in communities made more prosperous and active by having their own bank branch.

**Community Bank®** branches have not escaped the fallout from the global turmoil. Like Bendigo and Adelaide Bank Ltd, they have received less income than in normal times. But also like Bendigo and Adelaide Bank Ltd, they have not needed anyone's help to get through this crisis. And every day we are reminded that banks that are relevant and connected locally will be valued by their customers and communities. For the better of all.



**Russell Jenkins**  
**Chief General Manager**

# Directors' report

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For year ending 30 June 2009

Your Directors submit the financial report of the Company for the financial year ended 30 June 2009.

## Directors

The names and details of the Company's Directors who held office during or since the end of the financial year are:

### **Renate Lange**

Chair

Business proprietor

### **Terence Leo Earle**

Director

Business proprietor

### **David Marshall**

Director

Business proprietor

### **Campbell John Sinclair**

Director

Company Director

### **Helen Beverley Worlidge**

Resigned 24 July 2009

Director

Author and educator

### **Frederick John Craven Stringer**

Director

Retired

### **Michael John Davies**

Director & Treasurer

Company Director

Resigned 20 November 2008

Reappointed 29 January 2009

### **Glenyss Airdrie Barnes**

Director

Management Consultant

Resigned 20 November 2008

Reappointed 29 January 2009

Directors were in office for this entire year unless otherwise stated.

## Principal activities

The principal activities of the Company during the course of the financial year were in providing **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Ltd.

There has been no significant changes in the nature of these activities during the year.

## Operating results

Operations have continued to perform in line with expectations. The profit of the Company for the financial year after provision for income tax was \$61,774 (2008: \$57,120).

## Dividends

The Company paid a dividend of 6 cents per share (\$36,600 total dividends paid) during the year.



# Directors' report continued

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## **Significant changes in the state of affairs**

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report.

## **Significant events after the balance date**

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company, in future years.

## **Likely developments**

The Company will continue its policy of providing banking services to the community.

## **Directors' benefits**

Other than detailed below no Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

## **Indemnification and insurance of Directors and Officers**

The Company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the Company or related body corporate) that may arise from their position as Directors or Managers of the Company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The Company has not provided any insurance for an Auditor of the Company or a related body corporate.

# Directors' report continued

## Directors' meetings / fees

The number of Directors' meetings attended by each of the Directors of the Company during the year and fees paid to Directors were:

	Eligible to attend	Number attended	2009 \$	Fees 2008 \$
Renate Lange	11	10	1,800	1,800
Terence Leo Earle	11	7	1,800	1,800
David Marshall	11	8	1,800	1,800
Campbell John Sinclair	11	10	1,800	1,800
Helen Beverley Worlidge (Resigned 24 July 2009)	11	10	1,800	1,800
Frederick John Craven Stringer	11	10	1,800	1,800
Michael John Davies (Resigned 20 November 2008, appointed 29 January 2009)	10	9	1,650	750
Glenyss Airdrie Barnes (Resigned 20 November 2008, appointed 29 January 2009)	10	8	1,650	750

## Company Secretary

Gwendoline Zammit was appointed as Company Secretary upon resigning from the Board of Directors in January 2008. Gwen is a CPA and experienced Company Secretary.

## Corporate governance

The Company has implemented various corporate governance practices, which include:

- (a) The establishment of an audit committee. Members of the audit committee are Michael Davies (Chair), Renate Lange, Terence Earle, Graham Ludecke, Matthew Gallop and Gwendoline Zammit;
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

## Auditor independence declaration

The Directors received the following declaration from the Auditor of the Company:

Richmond Sinnott & Delahunty  
Chartered Accountants

## Directors' report continued

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### **Richmond Sinnott & Delahunty** Chartered Accountants



**Partners:**  
Kenneth J Richmond  
Warren J Sinnott  
Philip P Delahunty  
Brett A Andrews

10 September 2009

The Directors  
Sandringham Community Financial Services Limited  
75 Station Street  
SANDRINGHAM VIC 3191

Dear Directors

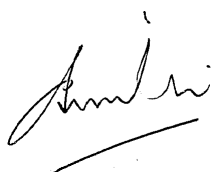
#### **Auditor's Independence Declaration**

In relation to our audit of the financial report of Sandringham Community Financial Services Limited for the year ended 30 June 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



**Warren Sinnott**  
Partner  
Richmond Sinnott & Delahunty

Signed in accordance with a resolution of the Board of Directors at Sandringham, Victoria on  
10 September 2009.



**Campbell Sinclair**  
Deputy Chair

# Financial statements

## Income statement For year ending 30 June 2009

	Note	2009 \$	2008 \$
Revenue from ordinary activities	2	712,893	680,604
Employee expenses	3	(272,251)	(261,637)
Charitable donations and sponsorship		(124,097)	(116,575)
Depreciation and amortisation expense	3	(24,997)	(23,568)
Administration & other expenses from ordinary activities		(194,442)	(197,225)
<b>Profit before income tax expense</b>		<b>97,106</b>	<b>81,599</b>
Income tax expense	4	35,332	24,479
<b>Profit after income tax expense</b>		<b>61,774</b>	<b>57,120</b>
<b>Earnings per share (cents per share)</b>			
- basic for profit for the year	21	10.13	9.36
- diluted for profit for the year	21	10.13	9.36
- dividends paid per share	22	6.00	-

The accompanying notes form part of these financial statements.

# Financial statements continued

## Balance sheet As at 30 June 2009

	Note	2009 \$	2008 \$
<b>Current assets</b>			
Cash assets	6	440,276	411,377
Receivables	7	74,095	65,659
<b>Total current assets</b>		<b>514,371</b>	<b>477,036</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	56,261	71,259
Investments	9	5,116	4,993
Intangible assets	10	31,667	41,666
<b>Total non-current assets</b>		<b>93,044</b>	<b>117,918</b>
<b>Total assets</b>		<b>607,415</b>	<b>594,954</b>
<b>Current liabilities</b>			
Payables	11	18,229	29,060
Current tax liability	4	9,828	21,555
Provisions	12	40,507	30,662
<b>Total current liabilities</b>		<b>68,564</b>	<b>81,277</b>
<b>Total liabilities</b>		<b>68,564</b>	<b>81,277</b>
<b>Net assets</b>		<b>538,851</b>	<b>513,677</b>
<b>Equity</b>			
Share capital	13	518,507	518,507
Accumulated profits/(losses)	14	20,344	(4,830)
<b>Total equity</b>		<b>538,851</b>	<b>513,677</b>

The accompanying notes form part of these financial statements.

# Financial statements continued

## Statement of cash flows As at 30 June 2009

	Note	2009 \$	2008 \$
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		741,307	702,876
Cash payments in the course of operations		(655,229)	(629,969)
Interest received		26,480	21,176
Dividend received		123	-
Income tax paid		(47,059)	-
<b>Net cash flows from/(used in) operating activities</b>	<b>15b</b>	<b>65,622</b>	<b>94,083</b>
<b>Cash flows from investing activities</b>			
Purchase of property plant and equipment		-	(6,600)
Purchase of intangible asset		-	(50,000)
Purchase of investment		(123)	(4,993)
<b>Net cash flows from/(used in) investing activities</b>		<b>(123)</b>	<b>(61,593)</b>
<b>Cash flows from financing activities</b>			
Return of capital paid		-	(54,901)
Dividends paid		(36,600)	-
<b>Net cash flows from/(used in) financing activities</b>		<b>(36,600)</b>	<b>(54,901)</b>
<b>Net increase/(decrease) in cash held</b>		<b>28,899</b>	<b>(22,411)</b>
Add opening cash brought forward		411,377	433,788
<b>Closing cash carried forward</b>	<b>15a</b>	<b>440,276</b>	<b>411,377</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

### Statement of changes in equity As at 30 June 2009

	Note	2009 \$	2008 \$
<b>Share capital</b>			
<b>Ordinary shares</b>			
Balance at start of year		518,507	573,408
Issue of share capital		-	-
Return of capital of 9 cents per share		-	(54,901)
<b>Balance at end of year</b>		<b>518,507</b>	<b>518,507</b>
<b>Accumulated losses</b>			
Balance at start of year		(4,830)	(61,950)
Profit after income tax expense		61,774	57,120
Dividends paid		(36,600)	-
<b>Balance at end of year</b>		<b>20,344</b>	<b>(4,830)</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ending 30 June 2009

## Note 1. Basis of preparation of the financial report

### **(a) Basis of accounting**

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report was authorised for issue by the Directors on 10 September 2009.

### **(b) Statement of compliance**

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

### **(c) Significant accounting policies**

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2008 financial statements.

#### **Income tax**

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.



# Notes to the financial statements continued

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## Note 1. Basis of preparation of the financial report (continued)

### Investments

Investments in listed shares are recorded at cost.

### Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Class of asset	Depreciation rate
Property, plant & equipment	5 - 20%

### Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

### Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset is impaired.

Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount.

Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

### Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the cash flow statement on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

# Notes to the financial statements continued

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## Note 1. Basis of preparation of the financial report (continued)

### **Employee benefits**

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

Contributions to employee superannuation funds are charged against income as incurred.

### **Intangibles**

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

### **Cash**

Cash on hand and in banks are stated at nominal value.

For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

### **Comparative figures**

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

### **Revenue**

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

### **Receivables and payables**

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

### **Interest bearing liabilities**

All loans are measured at the principal amount. Interest is recognised as an expense as it accrues.

## Community involvement



**Bayley House** provides support to intellectually disabled children and their families. The Grant haws provided funding to assist with the information of the 'Step On Its', and initiative of a group of young people in their early twenties.



**Sandringham Hospital** was delighted when the Sandringham **Community Bank®** Branch provided funds for the purchase of two new bassinettes for their busy Maternity ward.

**5th Sandringham Scouts** group is run by a dedicated group of volunteers. It aims to mentor young people and engages in youth led projects to improve their skills and assist the community. This grant provided much needed camping and outdoor equipment including dome tents, allowing the group to expand their activities.







**Sandringham Lifesaving Club** promotes volunteer lifesaving activities. The club has 30 volunteers with on average 10 rescues per year. Rescue equipment funded through this grant will improve training facilities and rescue techniques.

**Sandybeach Centre** was given funds to support their local bus run meaning busses run more often, on more days, allowing local residents greater access to the wonderful facilities the Centre provides.



**Community Planting Day.** Our intrepid Branch Manager, Matthew Gallop, was part of a collection of volunteers organised by the Sandringham **Community Bank®** Branch to plant native flora along the Station Street verge on 18 July 2008. With cooperation from Bayside Council and the Rotary Club of Sandringham, a water tank was also installed to capture run off from the Station roof to maintain the new garden.



**Fairways Hostel.** Sandringham **Community Bank®** Branch was able to assist the Fairways Hostel in providing funds for the purchase of two additional beds for their facility on Bluff Road.

Sandringham **Community Bank®** Branch

# Notes to the financial statements continued

## Note 1. Basis of preparation of the financial report (continued)

### Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

### Contributed capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

	2009 \$	2008 \$
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## Note 2. Revenue from ordinary activities

### Operating activities

- services commissions	686,290	659,428
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### Non-operating activities:

- interest received	26,603	21,176
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<b>Total revenue from ordinary activities</b>	<b>712,893</b>	<b>680,604</b>
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## Note 3. Expenses

### Employee expenses

- wages and salaries	228,473	216,191
- superannuation costs	20,237	20,067
- workers' compensation costs	943	605
- other costs	22,598	24,774
	<b>272,251</b>	<b>261,637</b>

## Notes to the financial statements continued

	2009 \$	2008 \$
Note 3. Expenses (continued)		
Depreciation of non-current assets:		
- plant and equipment	14,998	15,234
Amortisation of non-current assets:		
- intangibles	9,999	8,334
	<b>24,997</b>	<b>23,568</b>
Bad debts	2,157	52

## Note 4. Income tax expense

The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:

Prima facie tax on profit before income tax at 30%	29,132	24,479
Add tax effect of:		
- Non deductible expenses	3,000	-
- Underprovision of tax in prior year	3,200	-
<b>Current income tax expense</b>	<b>35,332</b>	<b>24,479</b>
Income tax expense	35,332	24,479
<b>Tax liabilities</b>		
<b>Current tax payable</b>	<b>9,828</b>	<b>21,555</b>

## Note 5. Auditors' remuneration

Amounts received or due and receivable by  
Richmond, Sinnott & Delahunty for:

- Audit or review of the financial report of the Company	3,650	3,650
- Share registry services	1,800	-
	<b>5,450</b>	<b>3,650</b>

## Notes to the financial statements continued

	2009 \$	2008 \$
<b>Note 6. Cash assets</b>		
Cash at bank and on hand	429,526	400,627
Security deposit	10,750	10,750
	<b>440,276</b>	<b>411,377</b>

## Note 7. Receivables

<b>Trade debtors</b>	<b>74,095</b>	<b>65,659</b>
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## Note 8. Property, plant and equipment

Property, plant and equipment	176,435	176,435
Less accumulated depreciation	(120,174)	(105,176)
	<b>56,261</b>	<b>71,259</b>

### Movements in carrying amounts

#### Property, plant and equipment

Carrying amount at beginning of year	71,259	79,893
Additions	-	6,600
Disposals	-	-
Depreciation expense	(14,998)	(15,234)
<b>Carrying amount at end of year</b>	<b>56,261</b>	<b>71,259</b>

## Note 9. Investments

<b>Listed shares at cost</b>	<b>5,116</b>	<b>4,993</b>
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## Note 10. Intangible assets

### Franchise fee

At cost	50,000	50,000
Less accumulated amortisation	(18,333)	(8,334)
	<b>31,667</b>	<b>41,666</b>

## Notes to the financial statements continued

	2009 \$	2008 \$
<b>Note 11. Payables</b>		
GST payable	2,501	8,854
Other creditors and accruals	15,728	20,206
	<b>18,229</b>	<b>29,060</b>

## Note 12. Provisions

<b>Employee benefits</b>	<b>40,507</b>	<b>30,662</b>
<b>Number of employees at year end</b>	<b>5</b>	<b>5</b>

## Note 13. Share capital

610,008 Ordinary shares fully paid to 94 cents	-	573,408
Return on capital of 9 cents per share	-	(54,901)
610,008 Ordinary shares fully paid to 85 cents	518,507	-
	<b>518,507</b>	<b>518,507</b>

## Note 14. Accumulated losses

Balance at the beginning of the financial year	(4,830)	(61,950)
Profit after income tax	61,774	57,120
Dividend paid	(36,600)	-
<b>Balance at the end of the financial year</b>	<b>20,344</b>	<b>(4,830)</b>

## Note 15. Cash flow statement

### (a) Reconciliation of cash

<b>Cash assets</b>	<b>440,276</b>	<b>411,377</b>
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### (b) Reconciliation of profit after tax to net cash provided from/

### (used in) operating activities

Profit after income tax	61,774	57,120
-------------------------	--------	--------



## Notes to the financial statements continued

	2009 \$	2008 \$
Note 15. Cash flow statement (continued)		
Non cash items		
- Depreciation	14,998	15,234
- Amortisation	9,999	8,334
Changes in assets and liabilities		
- (Increase) decrease in receivables	(8,436)	(15,336)
- Increase (decrease) in payables	(10,831)	(10,088)
- Increase (decrease) in provisions	9,845	14,340
- Increase (decrease) in income tax payable	(11,727)	21,555
- (Increase) decrease in deferred tax asset	-	2,924
<b>Net cash flows from/ (used in) operating activities</b>	<b>65,622</b>	<b>94,083</b>

## Note 16. Director and related party disclosures

The names of Directors who have held office during the financial year are:

Renate Lange

Terence Leo Earle

David Marshall

Campbell John Sinclair

Helen Beverley Worlidge (Resigned 24 July 2009)

Frederick John Craven Stringer

Michael John Davies (Resigned 20 November 2008,appointed 29 January 2009)

Glenyss Airdrie Barnes (Resigned 20 November 2008,appointed 29 January 2009)

## Notes to the financial statements continued

### Note 16. Director and related party disclosures (continued)

Directors' shareholdings / fees	Fees		Shareholding	
	2009 \$	2008 \$	2009	2008
Renate Lange	1800	1,800	5,701	5,701
Terence Leo Earle	1800	1,800	4,001	4,001
David Marshall	1800	1,800	2,000	2,000
Campbell John Sinclair	1800	1,800	1,500	1,000
Helen Beverley Worlidge (Resigned 24 July 2009)	1800	1,800	501	501
Frederick John Craven Stringer	1800	1,800	-	-
Michael John Davies (Resigned 20 November 2008, appointed 29 January 2009)	1650	750	1,000	-
Glenyss Airdrie Barnes (Resigned 20 November 2008, appointed 29 January 2009)	1650	750	3,000	3,000

Each share held has a paid up value of 85 cents (2008: 85 cents) and are fully paid. The above holdings are held personally or in associated entities.

### Note 17. Subsequent events

There have been no events after the end of the financial year that would materially affect the financial statements.

### Note 18. Contingent liabilities

There were no contingent liabilities at the date of this report to affect the financial statements.

### Note 19. Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Sandringham, Victoria.

## Notes to the financial statements continued

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### Note 20. Corporate information

Sandringham Community Financial Services Ltd is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Bendigo Stock Exchange.

The registered office and principal place of business is:

75 Station Street,  
Sandringham VIC 3191

	2009 \$	2008 \$
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### Note 21. Earnings per share

Basic earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

<b>Profit after income tax expense</b>	<b>61,774</b>	<b>57,120</b>
<b>Weighted average number of ordinary shares for basic and diluted earnings per share</b>	<b>610,008</b>	<b>610,008</b>

## Notes to the financial statements continued

	2009 \$	2008 \$
<b>Note 22. Dividends paid or provided for on ordinary shares</b>		
<b>(a) Dividends paid during the year</b>		
(i) Previous year final		
Franked dividends - 6 cents per share (2008: Nil)	36,600	-
	36,600	-
<b>(b) Franking credit balance</b>		
The amount of franking credits available for the subsequent financial year are:		
• Franking account balance as at the end of the financial year.	31,373	-
• Franking credits that will arise from the payment / (refund) of income tax payable as at the end of the financial year	9,828	-
	<b>41,201</b>	-

The tax rate at which dividends have been franked is 30% (2008: 0%).

## Note 23. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

### (a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables, investments and cash assets.

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the Balance Sheet and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

## Notes to the financial statements continued

### Note 23. Financial risk management (continued)

#### (a) Credit risk (continued)

	<b>Carrying amount</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Cash assets	440,276	411,377
Investments	5,116	4,993
Receivables	74,095	65,659
	<b>519,487</b>	<b>482,029</b>

The Company's exposure to credit risk is limited to Australia by geographic area. The majority of receivables are due from Bendigo and Adelaide Bank Ltd.

None of the assets of the Company are past due (2008: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

#### (b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>1 year or less</b>	<b>Over 1 to 5 years</b>	<b>More than 5 years</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>30 June 2009</b>					
Payables	18,229	(18,229)	(18,229)	–	–
	<b>18,229</b>	<b>(18,229)</b>	<b>(18,229)</b>	<b>–</b>	<b>–</b>
<b>30 June 2008</b>					
Payables	29,060	(29,060)	(29,060)	–	–
	<b>29,060</b>	<b>(29,060)</b>	<b>(29,060)</b>	<b>–</b>	<b>–</b>

# Notes to the financial statements continued

## Note 23. Financial risk management (continued)

### (c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

#### Interest rate risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular Board meetings.

#### Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	<b>Carrying amount</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>Fixed rate instruments</b>		
Financial assets	32,802	-
Financial liabilities	-	-
	<b>32,802</b>	<b>-</b>
<b>Variable rate instruments</b>		
Financial assets	407,474	411,377
Financial liabilities	-	-
	<b>407,474</b>	<b>411,377</b>

#### Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2008 there was also no impact. As at both dates this assumes all other variables remain constant.

# Notes to the financial statements continued

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## Note 23. Financial risk management (continued)

### **(d) Net fair values**

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Balance Sheet. The Company does not have any unrecognised financial instruments at year end.

### **(e) Capital management**

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Balance Sheet.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

(i) the Distribution Limit is the greater of:

(a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and

(b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2009 can be seen in the Income Statement.

There were no changes in the Company's approach to capital management during the year.

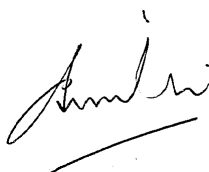
# Directors' declaration

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In accordance with a resolution of the Directors of Sandringham Community Financial Services Limited, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2009.



**Campbell Sinclair**  
**Deputy Chair**

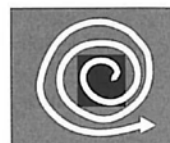
Signed at Sandringham, Victoria on 10 September 2009.



# Independent audit report

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## **Richmond Sinnott & Delahunty** Chartered Accountants



### **INDEPENDENT AUDIT REPORT TO THE MEMBERS OF SANDRINGHAM COMMUNITY FINANCIAL SERVICES LIMITED**

Partners:  
Kenneth J Richmond  
Warren J Sinnott  
Philip P Delahunty  
Brett A Andrews

#### **SCOPE**

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Sandringham Community Financial Services Limited, for the year ended 30 June 2009.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are established to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### **Audit approach**

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

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Woodbury Court, 172 McIvor Road Bendigo 3550. PO Box 30 Bendigo 3552. Ph: (03) 5443 1177. Fax: (03) 5444 4344. Email: [rsd@rsdadvisors.com.au](mailto:rsd@rsdadvisors.com.au)

ABN 60 616 244 309

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# Independent audit report continued

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## **INDEPENDENCE**

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

## **AUDIT OPINION**

In our opinion, the financial report of Sandringham Community Financial Services Limited is in accordance with:

- (a) the Corporations Act 2001 including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

*Richmond Sinnott & Delahunty*

**RICHMOND SINNOTT & DELAHUNTY**

Chartered Accountants

*W. J. Sinnott*

**W. J. SINNOTT**

Partner

Bendigo

Date: 10 September 2009

# BSX report

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## Share Information

In accordance with Bendigo Stock Exchange listing rules the Company provides the following information as at 30 September 2009, which is within 6 weeks of this report being sent to shareholders.

The following table shows the number of shareholders, broken into various categories showing the total number of shares held.

Number of shares held	Number of shareholders
1 to 1,000	209
1,001 to 5,000	90
5,001 to 10,000	7
10,001 to 100,000	7
100,001 and over	0
<b>Total shareholders</b>	<b>313</b>

Each of the above shareholders are entitled to 1 vote, irrespective of the number of shares held.

There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote. Normally holding more than 5% of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the Company.

There are 4 shareholders holding less than a marketable parcel of shares (\$500 in value).

There are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to \$0.85c per share. There are no unquoted equity securities.

# BSX report continued

The following table shows the 10 largest shareholders

Shareholder	Number of shares	Percentage of capital
Winpar Holdings Limited	26,000	4.26
Richard Everritt Thorne	23,000	3.77
Fleray Pty Ltd <Senior Super Fund A/C>	20,000	3.28
Maslen Pty Ltd	20,000	3.28
Nikstan Constructions P/L <Melbourne Property Holdings Unit Trust A/C>	20,000	3.28
Gerald Francis Pauley & Michael James Pauley <Pauley Super Fund A/C>	17,000	2.79
Ruth Trait	12,500	2.05
Elizabeth Fordyce & Margaret Fordyce	10,000	1.64
Kevin Brennan as trustee for <Brennan Super Fund A/C>	10,000	1.64
Lenore Dorothy Howard	10,000	1.64
	<b>168,500</b>	<b>25.98</b>

## Registered office and principal administrative office

The registered office of the Company is located at:

75 Station Street,  
Sandringham VIC 3191  
Phone: (03) 9521 6488

The principal administrative office of the Company is located at:

75 Station Street,  
Sandringham VIC 3191  
Phone: (03) 9521 6488

## Security register

The security register (share register) is kept at:

Ricmond Sinnott & Delahunty Pty Ltd  
Woodbury Court,  
172-176 McIvor Road,  
Bendigo VIC 3552  
Phone: (03) 5443 1177

# BSX report continued

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## **Company Secretary**

The Company Secretary is

Gwen Zammit

Phone: (03) 9521 0780

## **Corporate governance**

The Company has implemented various corporate governance practices, which include:

- (a) The establishment of an audit committee.
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

## **Annexure 3A**

There are no material differences between the information in the company's Annexure 3A and the information in the financial documents in its annual report.

Sandringham **Community Bank**<sup>®</sup> Branch  
75 Station Street, Sandringham VIC 3191  
Phone: (03) 9521 6488 Fax: (03) 9521 6977

Franchisee: Sandringham Community Financial Services Limited  
75 Station Street, Sandringham VIC 3191  
ABN 86 099 131 192

[www.bendigobank.com.au](http://www.bendigobank.com.au)  
Bendigo and Adelaide Bank Limited,  
The Bendigo Centre, Bendigo VIC 3550  
ABN 11 068 049 178. AFSL 237879. (BMPAR9085) (09/09)



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